

# SUMMARY ANALYSIS OF AMENDED BILL

## Franchise Tax Board

Author: Correa Analyst: Roger Lackey Bill Number: AB 10

Related Bills: See Prior Analysis Telephone: 845-3627 Amended Date: 03-23-99

Attorney: Doug Bramhall Sponsor:

**SUBJECT:** Prepaid Minimum Tax/Qualified New Corporations/Reduce To \$300 1/1/99 & To \$0 1/1/2000/Increase to \$300 1/1/2003

DEPARTMENT AMENDMENTS ACCEPTED. Amendments reflect suggestions of previous analysis of bill as introduced/amended \_\_\_\_\_.

AMENDMENTS IMPACT REVENUE. A new revenue estimate is provided.

AMENDMENTS DID NOT RESOLVE THE DEPARTMENT'S CONCERNS stated in the previous analysis of bill as introduced/amended \_\_\_\_\_.

FURTHER AMENDMENTS NECESSARY.

☒ DEPARTMENT POSITION CHANGED TO Neutral.

☒ REMAINDER OF PREVIOUS ANALYSIS OF BILL AS AMENDED March 1, 1999, STILL APPLIES.

OTHER - See comments below.

### SUMMARY OF BILL

This bill would provide that a qualified new corporation, for income years beginning on or after January 1, 2000, and before January 1, 2003, shall not be subject to the prepayment of minimum franchise tax to the Secretary of State (SOS). For income years beginning on or after January 1, 2003, the prepayment to the SOS for qualified new corporations would return to \$300.

### SUMMARY OF AMENDMENT

The March 23, 1999, amendments limited the income years to those before January 1, 2003, in which qualified new corporations would not be subject to the \$300 prepayment of the minimum franchise tax to the SOS.

The amendment also added the requirement that the SOS to report to the Legislature by January 31, 2002, regarding the number of new small businesses that incorporated in each calendar year since 1996 and the length of time those businesses continued doing business. This analysis will not discuss this report requirement as it does not impact this department.

The department's analysis of AB 10 as amended, March 1, 1999, still applies.

### Implementation Consideration

Under existing law, a qualified new corporation is required to meet certain conditions to benefit from the reduced prepayment (\$300) to the SOS. If these conditions are not met the qualified new corporation is required to pay an additional tax in an amount of \$500 to equate the normal prepayment of \$800.

#### Board Position:

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<input type="checkbox"/> SA	<input type="checkbox"/> O	<input type="checkbox"/> NAR
<input checked="" type="checkbox"/> N	<input type="checkbox"/> OUA	<input type="checkbox"/> PENDING

Department/Legislative Director Date

Johnnie Lou Rosas 4/9/1999

This bill would not require the qualified new corporation to pay the additional tax if it is later determined that it did not meet the conditions necessary to receive the benefit of not being subject to the prepayment to the SOS.

BOARD POSITION

Neutral.

At its March 23, 1999, meeting, the Franchise Tax Board voted 2-0 to take a neutral position on this bill as introduced December 7, 1998.